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September 16, 2008

AGENDA ITEM 3b

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Health and Disease Management Initiative
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the approval of 34 positions to establish a Health and Disease Management Team to provide comprehensive clinical oversight of the CalPERS health plans. (See Attachment 1)

IV. BACKGROUND:

In October 2007, CalPERS launched a Health and Disease Management Initiative to identify a strategy that would enable CalPERS to provide a best-in-class Health and Disease Management Program to CalPERS members. CalPERS engaged Mercer to assist with this Initiative. CalPERS and Mercer surveyed CalPERS health plans and conducted on-site reviews of the health plans' programs. Mercer presented its findings and recommendations to the Health Benefits Committee in April 2008.

Staff evaluated Mercer's findings and recommendations, obtained input from our health plan partners, and made the following recommendations in June 2008:

1. Implement comprehensive performance monitoring beginning in 2008.
2. Develop an action plan to expand program offerings to ensure consistency across all health plans in 2009.
3. Defer the health risk assessment/lifestyle management carve-out decision to allow more time to assess performance results for these programs.
4. Defer the decision to carve-out disease management from CalPERS self-funded plans and Blue Shield Health Maintenance Organization (HMO) plans.
5. Create a dedicated Health and Disease Management Program management team within the context of comprehensive clinical oversight of the health plans.

The Health Benefits Committee approved staff's recommendations 1 and 2, agreed with staff's recommendations 3 and 4, and expressed a desire to understand the costs involved in implementing recommendation 5. This Agenda Item presents staff's recommendations for implementing recommendation 5: Create a dedicated Health and Disease Management Program management team within the context of comprehensive clinical oversight of the health plans. Adding additional clinical staff will address critical resources mandated by this new Board initiative.

V. ANALYSIS

Staff recommends that CalPERS implement a comprehensive, evidence-based clinical oversight strategy to enable CalPERS to implement the vision of the Board and effectively manage the Health Benefits Program from a clinical perspective. The addition of the specific Health and Disease Management staff will enable CalPERS to oversee, evaluate, and improve the current health and disease management programs and other clinical aspects of health plan performance, as well as control the costs of these programs and assess their clinical and financial impact. Increasing clinical staffing as proposed in this Agenda Item will enable staff to do the following:

1. Expand oversight to the HMO plans.
2. Implement the comprehensive performance monitoring strategy that the Board approved in June 2008.
3. Proceed on the action plan to ensure consistency in health and disease programs across all health plans, as the Board approved in June 2008.
4. Objectively evaluate and report to the Board on options for more effective clinical management.
5. Objectively evaluate new programs and proposed elements of the benefit design and provide professional advice to the Board on the evidence base of these proposals.
6. Assess the current health benefit programs to identify opportunities to improve, including conducting on-site evaluations as needed.
7. Develop, implement, and evaluate interventions in cooperation with our members, plans, and other constituents.
8. Report regularly to the Board on the clinical performance of the CalPERS Health Program.

Effective clinical oversight staff can also help CalPERS understand and address the key drivers of health care costs from a clinical perspective. These drivers include:

- Increasing costs for services, from increasing personnel and capital costs, new drugs and medical devices, price variation, medical errors, and preventable complications.

- Increasing demand for services due to increasing numbers of CalPERS members, an aging population, and poor health status secondary to modifiable lifestyle related factors such as obesity and inactivity.

A majority of health care cost drivers are related to clinical factors and clinical decisions by providers, and effectively addressing these factors requires clinical expertise. The Board has noted the impact of chronic conditions and modifiable risk factors on CalPERS health costs and implemented health and disease management programs as a strategy to address cost drivers by improving member health and avoiding preventable illness and complications of illness. These programs must be closely integrated with provider networks and members to be effective. Oversight of these programs requires a comprehensive, integrated clinical approach.

Existing staffing is not sufficient to obtain the full benefit of these current activities. Some examples of recent improvements in the Preferred Provider Organization (PPO) plans with the limited resources currently available include:

- Facilitated laboratory value data feeds from health plans to the disease management programs to improve stratification and health coaching processes.
- Implemented a protocol for alcohol/substance abuse referral.
- Fostered collaboration among medical administration, pharmacy, and disease management programs to integrate data transfer.
- Identified incorrect charges for disease management programs, for a cost savings of \$1.4 million.
- Eliminated inappropriate member penalties, decreasing administrative workload and costs and improving member satisfaction.
- Identified the need to improve accuracy of information to members regarding the Select provider network and recommended improvements.
- Identified the need to improve communication between skilled nursing facilities, members, and health plans to ensure timely review of admissions for better, more accurate service to our members.
- Identified the issue of invalid telephone numbers for members in disease management programs; and improved integration and outreach by correcting these and implementing an accurate process of collection.

The extensive involvement of CalPERS clinicians in managing the PPO program is one factor that enabled CalPERS to minimize health premium increases in the self-funded programs for 2009.

Expanding clinical staffing will allow CalPERS to:

- Provide consistent implementation, review, and improvement of clinical process and outcome measures for the HMO and PPO plans. The 2008 self-funded PPO contract has standardized process measures that are

Healthcare Effectiveness Data and Information Set (HEDIS)-based and also contains outcome measures that include standardized Return on Investment (ROI) calculation methodologies from the Disease Management Association of America (DMAA).

- Conduct comprehensive clinical oversight of HMO and PPO programs. Clinical staff has not had the resources or opportunity to work with the HMO disease management programs at the same level as the PPO programs. Even at the PPO level, there is insufficient staffing to address all of the opportunities to improve the clinical performance of the health plans.
- Increase transparency of health and disease management programs, including improving participation and engagement rates.
- Work with health plans to improve participation and engagement in disease management programs.
- Effectively address clinical member appeals and use these to improve health plan processes where indicated.
- Monitor health plan utilization review programs to assure they are accurate and responsive to members.
- Work with health plans to decrease hospital re-admission rates.
- Assure accurate charges and net savings (ROI) calculations for clinical programs.
- Identify and implement innovative programs to improve access to care (such as telemedicine).
- Provide clinical support for rate renewal.
- Monitor and report provider access and work with plans to improve where indicated.
- Develop member education materials.
- Achieve program consistency across health plans.
- Conduct periodic on-site evaluations of health plan clinical programs.

Three distinctive teams would provide clinical oversight of the health plans: 1) Health Plan Team A – self-funded PPOs; 2) Health Plan Team B – the network HMOs; and 3) Health Plan Team C – staff model HMO. Establishing these three teams would greatly enhance the clinical oversight of the health plans based on the distinctive health plan models offered to CalPERS members. This staffing pattern will enable CalPERS to research and implement new clinical approaches, will provide consistency and continuity in clinical oversight of the health plans, and will enable CalPERS, its employers, and its members to obtain maximum value from their health expenditures.

Attachment 1 describes the 34 new positions for the Health and Disease Management Team.

VII. STRATEGIC PLAN:

This request relates to Goals X and XI of the strategic plan which state:

- “Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.”
- “Promote the ability of members and employers to make informed decisions resulting in improved lifestyle choices and health outcomes.”

VIII. RESULTS/COSTS:

This proposal will add 34 new positions to create the Health and Disease Management Team in the Health Benefits Branch, at an annual cost of approximately \$3.9 million.

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Health Benefits Branch

Attachment